

REMARKS

The present inventors are referred to collectively herein as "Applicant." The present patent application was originally transferred by assignment from the inventors to Netfolio, Inc., which assignments have been recorded. More recently The Globe Resource Group ("Globe") has acquired this application, and Applicant's attorney expects that the transfer thereto will be recorded soon. Applicant's attorney acts in representative capacity herein on the basis of powers of attorney originally granted by the inventors and on the basis of 37 CFR 1.34. Concurrently with recordation of the transfer to Globe, Applicant's attorney expects to file a Power of Attorney from Globe.

Applicant thanks the Examiner for the careful and meticulous review of the application transmitted in the Office Action mailed March 30, 2004.

Claims 1-13 and 15-24 as amended by the listing herein are pending in application.

Applicant respectfully responds to the points raised by the Examiner by mentioning each point by its paragraph number in the Office Action.

Paragraph 1

CLAIM REJECTIONS – 35 U.S.C. § 112

The Examiner rejects claims 1, 5, 9, 14 and 15 under 35 U.S.C. 112 first paragraph as directed to a single means claim, citing *In re Hyatt*, 708 F.2d 712 (Fed. Cir. 1983). Applicant respectfully traverses the rejection as not being one of substance. None of the cited claims recites merely a single means which covers every conceivable means for achieving a stated purpose.

Applicant has amended the cited claims to avoid a possible misreading of them which would lead to such an interpretation.

Claim 1 as amended, for example, recites four means for performing specific steps, listed as a through d, which would be performed by a computer system of the present invention. Indeed some of the steps themselves include substeps. It is submitted that 35 U.S.C. § 112, sixth paragraph, provides that the format of this claim is acceptable.

Claim 5 is dependent on claim 1 and thus inherits each of the four specific means for performing steps, and adds an additional one. Claims 9 and 14 are similar.

Claim 15 is also amended to clarify that it recites six means.

These amendments do not change the meaning of the claims as originally presented. Each of the recited "means" must be present in an infringing system. However, a system comprising the various means may be constituted by one or two or any number of software elements and/or hardware elements. It is not necessarily that one be able to identify separate structure associated with each of the recited means.

Paragraph 2

CLAIM REJECTIONS – 35 U.S.C. § 112

Applicant has adopted the Examiner's suggestions for clarification of the language of the claims. Note that claim 1, line 12 has been rewritten to recite antecedent basis for both "the list" and implicitly for "next ordinal replacement."

Paragraph 3

CLAIM REJECTIONS – 35 U.S.C. § 102

The Examiner rejects claim 15 as being anticipated under 35 U.S.C. § 102(e) by U.S. Patent 6,021,397 (hereinafter "Jones"). Specifically, the passage at col. 5, line 51 to col. 7, line 10 of Jones is pointed out.

Claim 15 now recites:

An integrated computer-implemented system comprising:
means for providing automated allocation advice,
means for selection of investment securities,
means for customization of automated advice,
means for execution of batch transactions in multiple investment securities in a portfolio,
means for maintenance and monitoring of investment portfolios and
means for rebalancing of investment portfolios.

Jones discloses a recommendation forecasting tool based on modern portfolio theory and the efficient frontier developed by Sharpe and Markowitz. However, Applicant points out that Jones makes no reference to actually executing trades. Thus any "means for execution of batch transactions in multiple investment securities in a portfolio" is entirely absent from Jones. Also any "means for rebalancing of investment portfolios" is entirely absent from Jones.

In order to anticipate a claimed invention under § 102(e) the reference must disclose within its four corners each and every element of the claim. The absence of the aforementioned elements leads to the conclusion that Jones does not anticipate claim 15.

Paragraph 4

CLAIM REJECTIONS – 35 U.S.C. § 103

The Examiner rejects claims 1-14 and 16-24 as being obvious within the meaning of 35 U.S.C. § 103(a) from U.S. Patent 6,493,681 (hereinafter "Tertitski") in view of the aforementioned Jones patent.

Claim 1 now recites:

An integrated computer-driven system by which a user connected to a global computer network may invest in financial securities, comprising:

- a. means for transmitting to said user's display a plurality of strategies, said strategies being quantitative methodologies of security selection from a universe of securities, in a manner by which the user may interact with the system in a self-directed manner whereby the user may view at the user's discretion descriptive information including selection methodology, community discussion, community chats, and/or community polls regarding each strategy;
- b. means for transmitting to said user's display performance figures pertaining to each strategy since its inception against a preferred benchmark;

- c. means for permitting said user to view an ordered list of suggested financial securities of each strategy and then to add securities to or remove securities from the list and to replace any security with the next ordinal replacement suggested by the strategy; and
- d. means for facilitating said user to purchase suggested financial securities of a strategy in weights prescribed by the strategy or the user's customizations in an amount of the user's choosing through a qualified broker.

The present invention provides a complete solution encompassing not only purveying information but in actually executing upon that information via a platform sometimes referred to as "Netfolio." Jones et al does not provide for implementing the advice via the platform.

Tertitski is a trading model for day trading of individual stocks. It provides a quantitative model based on historical stock quotes, allowing no flexibility for the user based on personal circumstances. In contrast to the present invention, entirely absent from Tertitski are teachings of use of a network, of execution of trades automatically, of realtime data, for example.

Regarding claims 1, 16 and 24 Tertitski describes only a standalone desktop system not connected to a network or used remotely by users. Tertitski also only shows prices of a stock in isolation and not comparing them to any benchmark or fundamental financial characteristics of the company (which is a primary characteristic of the quantitative strategy of the present invention). See also the O'Shaughnessy original patent on strategies 5,978,778, cited and incorporated by reference in the present disclosure.

Tertitski is not presenting a group of securities as a strategy and selecting a subset of them in ordinal order.

Tertitski, at column 1, lines 28-31 and column 5, line 61 to column 6 line 5, does not suggest listing of securities by weight as components of a strategy or a broker (qualified or other).

Community discussion and the like are not taught by Tertitski nor are these taught by the Jones patent. Tertitski does not teach a networked system in any shape or form. The discussions, etc. provide an input to the user to further the personalized optimization of the investment strategies.

Since Tertitski is only about the price of a stock, it would be meaningless to include in the Tertitski system a means to provide news and research, as these have no bearing on the algorithm outcomes of Tertitski.

Applicants wish to make clear that there is a great difference between a Netfolio "Strategy" in accordance with the present invention and a "strategy" as the term is used by Tertitski. Netfolio strategies are groups of securities in a specific order sorted by preference – hence the next ordinal references. A Tertitski strategy is a way to determine buy/sell recommendations for a specific stock.

See the Examiner's statement at page 5, lines 12-15: "Replacing securities with the next ordinal replacement suggested by the strategy ... would have been obvious to the skilled artisan as such would have been left to the user or to owners of the system of Tertitski et al. such as

would not affect the functioning of the system of Tertitski et al." There is no suggestion in this statement of the Examiner that it would be obvious to provide an integrated computer-driven system that includes means c. "for permitting said user to view an ordered list of suggested financial securities of each strategy and then to add securities to or remove securities from the list and to replace any security with the next ordinal replacement suggested by the strategy".

A key distinction of the present invention is that it provides a "soup to nuts" solution. Neither Jones nor Tertitski disclose or suggest actually having the invention execute the trade and close the loop for the user.

Claim 2. Jones does not teach a tactical investment system providing for execution of trades. It would not have been obvious for Jones to add this. It also would not be for Tertitski because it is a purely quantitative approach - news on a stock has no bearing on the model or approach. Neither reference keeps track of the actually-purchased portfolio.

Claim 3. Jones merely brings the need to rebalance to the attention of the user. The present (Netfolio) invention permits the automatic or manually-invoked execution of the rebalancing. A user of the Jones teaching must repeat the process of adjusting the parameters to get a new mix and then act upon it himself. The present Applicant discloses the need to rebalance and teaches means to execute it without requiring the user to adjust any tuning parameters.

Claims 4-5. The fees recited in these claims are for the use of the novel system provided by the invention and not a brokerage commission as described by Tertitski as a cost of each individual trade.

Claim 6. Tertitski teaches but a desktop application and is not networked or internet based. Regarding Jones, the present invention is distinguished in providing a complete solution to a user on a global computer network, not isolated parts or a non-networked computer. Jones describes a publication service only, not incorporating a trading system.

Claim 7. The overall system of claim 7 is not obvious from a combination of Tertitsky and Jones.

Claim 8. Jones and Tertitski make no reference to active managers - they are all algorithmically driven processes. An "active manager" is a registered investment advisor purveying advice. Jones references are to a computer model's output of an efficient frontier and Tertitski refers only to a computer program implementing a quantitative methodology delivering an individual buy or sell indication. These have nothing to do with active managers and are not the recommendations of an active manager which are provided by the present invention.

Claim 9. Jones does not permit the user to replace individual stocks with new ones of his choosing - he must tweak the model inputs to get a new output of the model and continue doing this until the desired output is provided. Jones user is limited only to the products the model produces (which are provided by the 401K/IRA sponsor) and Tertitski has no concept of a group of stocks comprising a strategy. The present invention permits the user to change any stock in the list comprising a strategy with one of his choosing.

Claim 10. Tertitski is not a remote system – it is a desktop application and only provides prices. It does not utilize realtime statistics based on live data feeds to a remote user as does the invention. The live feed provides the ability to do statistics on the fly with live data. This is also part of the original patent which predates Tertitski. Tertitski makes no mention or use of hypothetical data.

Claim 11. Same as for claim 10. The invention will also create custom and blended benchmarks based on underlying strategies. If the portfolio consists of a mix of strategies, the benchmark created will be an appropriate blend of the benchmark of each strategy selected.

Claim 12. The present invention allows the user to create his own strategy (a set of stocks) and backtest them. Tertitski limits the user to the “strategies” provided by the desktop application and these apply to individual stocks only and at specific price points. The system of the invention then will implement the trades on behalf of the user.

Claim 13. Tertitski column 2 lines 6-28 and column 5 lines 62-67 make no mention of the user creating strategies combining other strategies and executing the appropriate trades for the user. Column 5 lines 62-67 is a rigid rule that allows no input from the user. We don't understand the examiner's reference here. Jones's outputs can't be changed directly – only by tweaking the inputs (changing his basic investment assumptions) to the model to alter the efficient frontier. The output is dependent on the model only. The invention allows the user to create his own strategy without needing to change his assumptions.

Claim 17. The system of Tertitski is a stand-alone program and has no connectivity. Its models are purely quantitative and this extra data is meaningless.

Claim 18. Jones, at column 6, lines 13-34, refers to repeating the profiling process to regenerate a new efficient frontier by changing the user's assumptions. A system of the present invention will recommend and perform rebalancing in response to conditions without changing the user's investment assumptions. Jones, at column 10, lines 18-54, refers to the original creation of a recommendation with respect to tax needs. A system of the present invention recommends trades by evaluating the actual portfolio in combination with the investment strategy or other changes in the user's financial situation. Jones teaches but a forecasting tool for implications of holding the portfolio. In contrast, the present invention handles the actual implementation of efficient tax harvesting through purchase or sale of individual strategy products or individual securities.

Claim 19. Jones makes no mention of implementing trades or electronic connectivity to brokerages or custodians. Tertitski teaches a standalone system with no connectivity mentioned to brokerages or custodian. A key benefit of the system of the present invention is in being a complete solution including the execution of trades and custodial interfaces and connectivity to them. In contrast, Jones, at column 6, lines 55-59, specifically mentions the need for the user to manually enter data for “accurate portfolio tracking”

Claim 20. Jones makes no mention of implementing a portfolio by cloning a mutual fund, account manager or other equity portfolio, let alone executing the appropriate trades. The factor analysis in Jones of a mutual fund's underlying assets is used for performance analysis of the mutual fund and not to clone the mutual fund. Nor is factor analysis used anywhere in Jones to create a clone of an existing investment product. The present invention does provide this capability. Jones is using this to create the efficient frontier to derive the asset classes to invest in. The present invention implements the portfolio derived by cloning process.

Claim 21. Jones makes no mention of when to buy or sell individual stocks for tax purposes. Jones only produces portfolio recommendations in response to running the model process. See column 10, lines 18-53, where Jones discusses the tax module as a forecasting tool used to select the original proposed portfolio based on the original assumptions fed to the model. In contrast, the present invention makes actual trading recommendations and executes them to maximize tax benefits to the user based on their specific tax seasonality for current tax year tax harvesting.

Claim 22. Jones being an information provider without capability for executions makes no mention or allowance for commissions at all except in forecasting hypothetical returns.

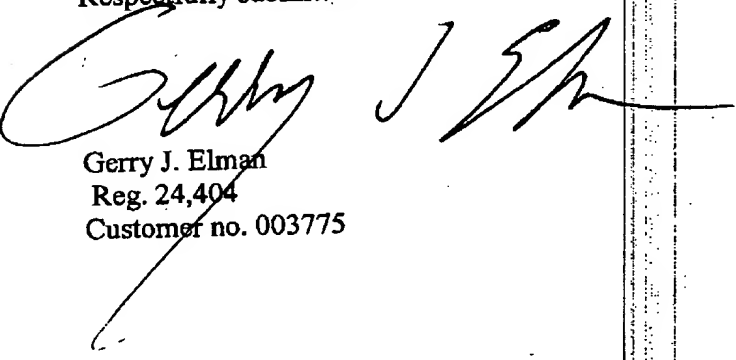
Claim 23. Jones, at column 12 line 31, refers to alerts and not customized portfolios. This is not pertinent. Jones recommends portfolios as outputs of the model process and does not allow the user to "select" one of a variety. Jones also does not allow for creating the portfolio. The present invention allows the user to select and implement the user's own unique portfolio.

CONCLUSION

In view of the present amendments and remarks above, the Examiner is invited to reexamine the amended claims. Prompt notice of allowance is respectfully solicited. If any questions remain, the examiner is invited to phone Applicant's attorney.

Respectfully submitted:

September 30, 2004


Gerry J. Elman
Reg. 24,404
Customer no. 003775

Phone: 610-892-9942
efax: 925-226-4995
email: gerry@elman.com